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BUDGET OVERVIEW

The goal of the Governor-elect's budget is to present a balanced budget based on revenues available. This budget will vary greatly from Governor Racicot's budget because no revenue enhancers were used. We have reduced overall spending by \$43 million. The following tables and narratives show these reductions. We are projecting an ending fund balance of \$30 million. It should be noted that we have not used any of the potential revenue from the sale of Montana Power properties, revenue from the Foreign Capital Depositories, or additional expected federal reimbursements for wildfire activity in our revenue estimates.

The Governor-elect's budget keeps the commitment to education, maintaining the 3 percent entitlement increase for K-12 and the \$7.5 million increase for higher education. In Public Health and Human Services, we provide for provider rate increases. Funding for local government reimbursements continues. Funding for the state pay plan also continues.

Revenues are anticipated to grow 2 to 3 percent per year for the next several years. Expenditures in the current fiscal year consume \$68 million of the \$170 million general fund balance built up over the past several years. It will require disciplined fiscal management to maintain important programs within available resources.

GENERAL FUND BUDGET RECOMMENDATIONS

	FY2000	FY2001	FY2002	FY2003	Biennial Change
Beginning Fund Balance	109.67	170.32	103.75	83.12	
Revenues - Racicot Budget	1,166.85	1,189.14	1,226.64	1,233.65	104.30
Revenue and Taxation Committee adopted estimates		(3.81)	(11.07)	(8.28)	(23.16)
Eliminate cigarette and tobacco product tax increase			(23.54)	(23.63)	(47.17)
Corporate Audits		5.70			5.70
Tobacco Settlement December Payment		3.70			3.70
TCA interest receipts		2.10			2.10
Telecommunications tax revised estimate		1.88	1.50	2.50	5.88
Salvage Timber		0.79			0.79
Subtotal Revenue	1,166.85	1,199.50	1,193.53	1,204.24	31.41
Residual Equity Transfers	0.72	0.75	0.75	0.75	
Total Available	1,277.25	1,370.57	1,298.03	1,288.11	
Expenditures					
Human Services					
Racicot Budget	231.98	233.19	261.01	270.91	66.75
Changes			(8.80)	(9.43)	(18.22)
Martz Budget	231.98	233.19	252.21	261.49	48.52
Corrections					
Racicot Budget	90.51	91.38	102.68	108.50	29.29
Changes			(3.45)	(4.01)	(7.45)
Martz Budget	90.51	91.38	99.23	104.49	21.84
Public Schools including OPI					
Racicot Budget	482.43	499.17	492.88	502.90	14.17
Changes			(2.46)	(2.50)	(4.96)
Martz Budget	482.43	499.17	490.41	500.40	9.22
Higher Education including CHE					
Racicot Budget	125.06	127.60	138.74	141.33	27.41
Changes			(1.71)	(1.93)	(3.64)
Martz Budget	125.06	127.60	137.03	139.40	23.77
Other Agencies					
Racicot Budget	115.61	112.63	126.05	123.75	21.56
Changes			(5.12)	(4.09)	(9.20)
Martz Budget	115.61	112.63	120.93	119.66	12.35
Property Tax Reimbursements	13.81	56.77	54.93	54.93	39.28
Language Appropriations	0.02	-	-	-	
Cultural and Aesthetic (HB 9)			0.30	0.30	
Micro Business Development			0.15	0.15	
Pay Plan Appropriations (HB 13)					
Contingency: VS and Retirement		0.35	1.50	-	
2003 Biennium Pay Plan			8.70	21.40	
Subtotal Pay Plan	-	0.35	10.20	21.40	31.25
Statutory Appropriations					
Racicot Budget	42.34	102.57	53.87	54.55	
Changes	-	1.48	0.63	(0.37)	1.74
Martz Budget	42.34	104.04	54.50	54.18	(37.70)
Miscellaneous Appropriations	1.55	0.55			
Continuing Appropriations	1.55	1.42			
Supplemental Appropriations					
Racicot Budget		35.21			
Changes		1.57			
Martz Budget		36.78			
Legislative Feed Bill		6.70		6.70	
Reversions		(7.00)	(5.00)	(5.00)	
Total Disbursements	1,104.86	1,263.60	1,214.91	1,258.11	104.56
Adjustments (corrected for 12/4 revision)	(2.07)	(3.23)			
Ending Balance	170.32	103.75	83.12	30.00	

Revenue and Taxation Committee adopted estimates

Use as a base revenue estimates adopted by the Revenue and Taxation Committee at its November 17 meeting. The major effect is to exclude \$25 million of estimated telecommunications tax revenues included in the Racicot budget.

Eliminate cigarette and tobacco product tax increase

Eliminates the proposed increases in cigarette and tobacco products taxes included in the Racicot budget.

Corporate Audits

Additional one-time revenue is available from several large corporate tax audits settled subsequent to the completion of estimates established by the Revenue and Taxation Committee. Only the current year estimate has been revised to reflect the additional amounts received.

Tobacco Settlement - December Payment

On December 1, 2000 we received notice from Chris Tweeten of the Attorney General's Office that the tobacco settlement payment due on January 15 would likely be received before the end of December and the estimated amount of this payment would be \$9.26 million. Since this would not be subject to allocation to the newly created tobacco trust the receipt prior to the January 1 date places additional revenue in the general fund of \$3.7 million.

TCA interest receipts

The revenue monitoring report for November indicated \$2.1 million additional revenue received in the current fiscal year from interest earnings on treasury cash. The increase is due to both higher interest rates on the balance and a significantly higher balance than was anticipated when revenue estimates were prepared. Only the current year estimate has been revised to reflect the additional amounts actually received.

Telecommunications tax revised estimate

The Department of Revenue has reviewed taxpayer receipts and issues relating to the Telecommunications tax and recommended that revenues will exceed those adopted by the Revenue and Taxation Committee by \$5.9 million over the next three years.

Salvage Timber

A salvage timber sale has been completed on lands near Sula and logging has begun. It is anticipated the state general fund will gain \$.8 million from this sale.